

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 14-15, 2017**

The Iowa Racing and Gaming Commission met on Wednesday and Thursday, June 14-15, 2017 at the Waterfront Convention Center in Bettendorf, Iowa. Commission members present were Richard Arnold, Chair; Kris Kramer, Vice Chair; and members Carl Heinrich, Jeff Lamberti, and Dolores Mertz.

Chair Arnold called the meeting to order at 5:30 PM on Wednesday, June 14th, and moved to the approval of the agenda. Commissioner Kramer moved to approve the agenda as presented. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to Executive Session and requested a motion. Commissioner Lamberti moved to go into Executive Session pursuant to Iowa Code Sections 21.5(1)a, d, and g for the purpose of receiving Division of Criminal Investigation background reports on Rubicon Controlled LLC. Commissioner Heinrich seconded the motion, which carried unanimously on a roll call vote.

Upon the conclusion of the Executive Session Commissioner Lamberti moved to leave Executive Session. Commissioner Kramer seconded the motion, which carried unanimously. Chair Arnold advised the meeting was recessed until 8:30 AM on Thursday, June 15th.

Chair Arnold reconvened the meeting at 8:30 AM, and advised the agenda had been approved as presented. Chair Arnold welcomed back Commissioner Dolores Mertz. Bob Gallagher, Mayor of the City of Bettendorf, welcomed everyone to the Quad Cities and to Bettendorf. He noted the Waterfront Convention Center, which is where the meeting is taking place today, is an outgrowth of what gaming can do in a community. This facility was built and is owned by the city but run by the Isle of Capri. He introduced Barry Anderson President of the Scott County Regional Authority (SCRA).

Mr. Anderson welcomed the Commission and staff to Bettendorf. He stated SCRA has been in existence for over 25 years and holds the license for Isle of Capri. He noted that a few weeks ago spring grant awards were announced. \$1.5 million were awarded to about 65 agencies and organizations in Scott County. Over the past 25 years they have awarded nearly \$80 million has been awarded to organizations and agencies in Scott County. He noted that SCRA has provided the convention center with over \$3 million in the last 10 years to help construct the facility, also support to purchase emergency vehicles and medical equipment, provided support for local school districts, provided support to hundreds of other non-profit organizations which has been made possible by the great relationship and partnership with the Isle and the city of Bettendorf. He also thanked the IRGC for the oversight and guidance to help them fulfill their responsibilities. Mr. Anderson introduced Nancy Ballenger, VP, General Manager, Isle of Capri, Bettendorf.

Nancy Ballenger welcomed the Commissioners and stated this was the birthplace of Riverboat Gaming in Iowa on April 1, 1991 which is 9552 days ago that this industry started which has grown and changed so much. She noted that the Isle of Capri's one year anniversary of their 16 million dollar land based development is coming up on June 24th called Landiversary. They are

very excited about that investment and looking forward to many more in the Quad Cities. She then thanked the Commissioners for coming.

Chair Arnold thanked Nancy for the tour of the facility and the city of Bettendorf for welcoming the Commission, and moved to the approval of the minutes from the April 13, 2017 Commission meeting. Commissioner Lamberti moved to approve the minutes as presented. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold moved to Announcements and called on Brian Ohorilko, Administrator, of IRGC. Mr. Ohorilko provided the following information on upcoming Commission meetings:

- July 13, 2017 – Prairie Meadows Racetrack and Casino, Altoona, IA (Submissions due by June 29, 2017)
- August 24, 2017 – Riverside Casino and Golf Resort, Riverside, IA
- September 26, 2017 – Special meeting with respect to the Cedar Rapids application process which will be at Double Tree by Hilton Cedar Rapids Convention Complex, Cedar Rapids, IA
- October 12, 2017 – Emmetsburg Wild Rose Casino, Emmetsburg, IA

Mr. Ohorilko informed everyone that last month the Commission set the dates for the meetings for the next fiscal year. The April meeting in 2018 will be April 12th instead of April 19th at the Ameristar Casino in Council Bluffs, IA.

Mr. Ohorilko recognized the following staff members in attendance: Stu Hoover, Gaming Representative at IOC Bettendorf, Dan Martens and Stan McClellan, Gaming Representatives from Rhythm City, Davenport, and Debbie Douglas, Licensing Assistant for the Quad Cities, and Cheryl Vetsch, Dubuque, IA taking the minutes for Julie Herrick.

Chair Arnold moved to the Resolution for Iowa statewide and lifetime self-excluded persons request for amendment from Iowa Gaming Association. Wes Ehrecke, President, Iowa Gaming Association, representing the 19 Iowa Casinos, stated that the voluntary self-exclusion program has been in existence over 20 years. Its core and intent was a collective initiative by the industry to have a voluntary program as a helpful resource in order that they could exclude themselves. The program has evolved. In its beginning it was property specific where a casino would allow a patron to ban themselves from that property and if they would agree to be arrested for trespassing, their winnings would be forfeited. In 2004 the legislature changed it to a statewide program where a patron could voluntarily choose to be banned from all casinos in Iowa. Mr. Ehrecke stated that a new state law would go into effect on July 1st allowing for a five year option as well as a lifetime. In addition, an option is available for patrons for reinstatement if they have been part of the voluntary program for at least 5 years. Mr. Ehrecke stated that the IGA feels a fine policy needs to be in existence, but notes the industry is very proactive with responsible gambling initiatives as exemplified by the industry's responsible gaming group which meets on a quarterly basis to discuss best practices and keeping the self-exclusion program viable. Mr. Ehrecke noted that human errors occur when carrying out the self-exclusion program and that there will be more room for human error with the new law change. Mr. Ehrecke stated that if an excluded patron wins a jackpot and it is erroneously paid to them, according to state law, the casino would need to pay the state the same jackpot amount in addition to being fined by the Commission upwards of \$20,000. Like the minors policy we feel there should be a stipulated agreement, depending on the severity of the situation, of maybe \$1000 for this type of incident.

Chair Arnold appointed a sub-committee of Commissioner Kramer and Commissioner Heinrich to study this proposal and report back. Commissioner Lamberti commented that he wants a little more time to look at it and he did not see anything in this proposal that would be terribly concerning. Mr. Ehrecke welcomed the opportunity to visit more with the Commissioners on this issue and thanked the Commissioners for their time.

Chair Arnold then moved to the next agenda item, Caesars Entertainment Operating Company. Lorraine May introduced herself along with her partner Anne Clark, representing Harrah's Council Bluffs Casino and Hotel and Horseshoe Council Bluffs and to hopefully attain approval of the Commission with regard to the items necessary to rise from the bankruptcy. Ms. May indicated that on January 15, 2015 Caesars Entertainment Operating Company, Inc. (CEOC) filed a voluntary petition for reorganization of the bankruptcy law. On January 17, 2017 there was an agreed plan of reorganization filed with the Bankruptcy Court. Ms. May indicated that there were many stake holders involved in reaching this plan, the bond holders, note holders, stock holders, secured creditors, and unsecured creditors. She stated that to bring this bankruptcy plan to fruition, it requires gaming approval in a number of states. Ms. May stated that if any one of those dominoes fails to fall, the entire plan of re-organization will be at risk. Ms. May continued with an update of where approvals have been received: Mississippi, Illinois, Pennsylvania, Indiana (anticipated by the end of June).

Ms. May stated that the company hopes to emerge from bankruptcy with \$16 billion in less debt, \$1.5 billion in less interest, and positive cash flow of \$.8 million dollars. Ms. May stated the company will be a solid business entity; solid financially and solid structurally. Caesars Acquisition Company (CAC) will merge with and into CEC. The legal structure of several of the entities including one of the Iowa entities, Iowa Management Company Inc., will be converted to LLCs for tax reasons associated with the real estate. Apollo and TPG interest will be markedly reduced. CEOC will separate the majority of its operational interests from the real estate. They will then transfer the real estate to VICI Properties Inc., a newly formed REIT. On the effective date of the transaction CEOC will convey the stock of VICI to its creditors effectively transferring the debt as well. CEOC and VICI will enter into a long- term lease agreement to lease the property back to CEOC and its subsidiaries.

Ms. May stated that this is how it looks for Horseshoe Casino; the licensee is Iowa West Racing Association, the manager at Horseshoe Council Bluffs is a Caesar's entity which is HBR Management Co., but the real estate is owned by HBR Realty Company Inc., which will be converted to an LLC. The lease with Iowa West Racing Association will remain intact. Harrah's Council Bluffs Casino and Hotel essentially will have the same type of process. Harveys Management Company will be converted to an LLC it will transfer the real estate to Harrah's Council Bluffs LLC and then back up to CEOC. None of the debt will remain with CEOC as there will be a separation between the operating functions and the real estate functions. CEOC will transfer its real estate to the newly formed REIT (VICI Properties Inc.) Also on the effective date, CEOC will convey the stock of VICI to CEOC's creditors. This decision was highly negotiated and overseen by the entire bankruptcy court.

Ms. May also conveyed that once VICI owns the real estate there would be a lease back to CEOC and its subsidiaries, the Horseshoe property remains leased to Iowa West Racing Association. The attorney for the people owning VICI Properties Inc. is well aware of their relationship with Horseshoe in that Harrah's is operating only as a manager in that concept. The lease has a mandatory reinvestment in the real estate to make sure that it is maintained. The lease has specific provisions which make it subject to Iowa regulation and the lessor cannot

come in and take over the license or gaming equipment at any point unless licensed by the state of Iowa. Ms. May also stated that most of the people the Commission will be dealing with have been previously been licensed and have been operating in Iowa for many years.

Ms. May continued that the operating license for Harrah's Council Bluffs Casino and Hotel will remain with Harveys Management Company LLC. Harveys Iowa Management Company LLC will retain the EIN of Harvey's Iowa Management Company, Inc., which is the current licensee. The license at Horseshoe Council Bluffs will remain with the Iowa West Racing Association. HBR Management Company, Inc. will remain the manager at Horseshoe Council Bluffs.

Ms. May then asked the Commission for approval of the transactions necessary to affect the real estate transfers in accordance with the leases, an approval of the lease, and approval of the management and support agreement. Ms. May then introduced Eric Hession, Executive Vice President and Chief Financial Officer for Caesars and Tim Donovan, Executive Vice President and General Counsel and Chief Regulatory and Compliance Officer for Caesars to answer any questions the Commissioners may have.

Commissioner Lamberti responded that they had been briefed at the Executive Session by DCI and it is complex but much more simplified coming out of bankruptcy with a much healthier balance sheet. Commissioner Lamberti made a motion for approval of the master lease. Commissioner Heinrich seconded the motion, which carried unanimously. Chair Arnold requested a motion for approval of the management and lease support agreement. Commissioner Lamberti made a motion to approve the management and lease support agreement. Commissioner Kramer seconded the motion, which carried unanimously. Commissioner Lamberti made a motion to approve the transfer of the real estate assets to the REIT consistent with the lease agreement and subject to approval by the bankruptcy court. Commissioner Mertz seconded the motion, which carried unanimously.

Tim Donovan then thanked the Commissioners and staff for all of their hard work and Lorraine May.

Chair Arnold moved to the next item, Riverside Casino and golf Resort LLC, request for remodel. Dan Kehl, CEO of Elite Casino Resorts. Mr. Kehl presented pictures of the 10 million dollar remodel of Riverside that will start in September including floor coverings, wall finishes, etc. The entryway will include a new light feature and new marble flooring. The hotel guest services will move to the rotunda. The gaming floor with the water feature being removed over the center bar, the center bar will be reworked and a light sculpture coming down simulating water will be added with new LED lighting and sound upgrades to the facility. The poker room will be reworked looking more like a sports book. All the restaurants will be reworked, adding a bar in the rotunda area. The facility has been open for 11 years and is need of an upgrade and has been in the planning stages for a couple of years. Looking to start construction on September 5th and ending the remodel the end of January, 2018. Mr. Kehl then requested approval from the Commission for the remodel. Chair Arnold asked for any questions from the Commission. Commissioner Heinrich commented that it is always nice to see reinvestment in a property to make it more desirable for the customers. Chair Arnold then requested a motion to approve the request for remodel. Commissioner Lamberti made a motion to approve the remodel for Riverside Casino and Golf Resort. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold moved to the contract approvals and called on Ameristar Casino Council Bluffs, LLC. Monty Terhune, General Manager, presented the following contracts for Commission approval:

- Second Amendment to Second Amended and Restated Excursion Boat Sponsorship and Operations Agreement – QSO extension agreement
- Tai Ping Carpets Americas, Inc. – casino carpet

Hearing no comments or questions, Chair Arnold requested a motion for the first item requested for contract approval. Commissioner Lamberti made a motion to approve the Second Amendment to Second Amended and Restated Excursion Boat Sponsorship and Operations Agreement. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold requested a motion for the second contract approval item for new carpet. Commissioner Kramer made a motion to approve the contract as submitted. Commissioner Lamberti seconded the motion, which carried unanimously.

Chair Arnold called on HGI Lakeside LLC. Dave Monroe, General Manager, presented the following contracts for Commission approval:

- AJR Equities, Inc. – Marketing promotional items
- Everi Payments Inc. – ATM kiosks

Hearing no further comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contract as submitted by HGI Lakeside. Commissioner Mertz seconded the motion, which carried unanimously.

Chair Arnold called on Isle of Capri Bettendorf, L.C. (IOCB) Nancy Ballenger, VP, General Manager, presented the following contracts for Commission approval:

- Loffredo – fresh produce
- Graphic Controls – slot tickets for slot machines
- Sam's Club – liquor and cigarettes
- Schebler – metal fabrication and installation
- Crawford Heating and Cooling – HVAC and maintenance

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by IOCB. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on IOC Black Hawk County, Inc. Todd Connelly, General Manager, IOC Waterloo, presented the following contracts for Commission approval:

- Nagle Signs, Inc. – new signs and installation
- Service Roofing Co. – new roof and repairs

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by IOC Waterloo. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Casino Queen Marquette, Inc. Donald Ostert, General Manager, presented the following contracts for Commission approval:

- Unicare Life & Health Insurance – dental & vision insurance
- United of Omaha Life Insurance Company – life insurance

Chair Arnold commented concerning the Unicare Life and Health Insurance contract in that this is an outside vendor and we would like to use Iowa vendors if possible. Mr. Ostert commented the reason for the out of state vendor is that they obtained the same insurance company as they have at the St. Louis property. Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Casino Queen Marquette. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Rhythm City Casino, LLC. Mo Hyder, General Manager presented the following contracts for Commission approval:

- Executive Services Company LLC – executive services (RP)
- Sysco Food Services of Iowa – food

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by Rhythm City Casino. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on the Dubuque Racing Association, Ltd.(DRA), d/b/a Q Casino. Bill Eichhorn, Chief Financial Officer presented the following contracts for Commission approval:

- Friedman Insurance – officers and directors, property and cyber insurance
- Greater Dubuque Development Corp. – area economic development group

Hearing no further questions or comments, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by the DRA. Commissioner Kramer seconded the motion, which carried unanimously.

Chair Arnold called on Wild Rose Clinton, LLC. Leah Garcia, Assistant General Manager presented a contract with Performance Foodservice for the purchase of food products.

Hearing no comments or questions concerning the contract, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by Wild Rose Clinton. Commissioner Kris Kramer seconded the motion, which carried unanimously.

Chair Arnold called on SCE Partners, LLC, d/b/a Hard Rock Hotel & Casino Sioux City. Todd Moyer, General Manager, presented the following contracts for Commission approval:

- Elevated Music Service, Inc. – service agreement
- Epiphany Production, Inc. – entertainment act
- BC Tours, Inc. – entertainment act
- Valentine Road Corporation – entertainment act
- Cruising Kitchens, LLD – mobile food unit
- Nomota, Inc – entertainment act

- Global Payments Gaming Services, Inc. – cash advance processing & check guarantee services
- US Bank National Association – ATM services
- Advance Weapon Technologies, Inc. – entertainment act

Hearing no comments or questions concerning the contracts, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by Hard Rock Hotel and Casino. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Arnold called on Grand Falls Casino, LLC. Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Executive Services Company LLC – executive services (RP)
- Ziegler Power systems – generator customer support agreement

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Kramer moved to approve the contracts as submitted by Grand Falls Casino. Commissioner Heinrich seconded the motion, which carried unanimously.

Commissioner Heinrich requested an update on the golf course at Grand Falls Casino. Ms. Haselhoff stated it was green, looked great, and is in excellent condition. It is ready to be played anytime.

Chair Arnold called on Riverside Casino and Golf Resort, LLC. Dan Franz, General Manager, presented the following contracts for Commission approval:

- Altorfer Power Systems – maintenance for fork trucks and lifts and generator testing
- Baxter Construction Company, LLC – construction manager resort renovation project (RP)
- DLR Group, Inc. – architect for resort renovation project
- DPT Mechanical – cooling tower internal replacements
- Executive Services company LLC – executive services (RP)
- Harris Golf Cars – golf cars purchase
- Honkamp Krueger & Co., P.C. - CPA professional services

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Riverside Casino and Golf Resort. Commissioner Lamberti seconded the motion, which carried unanimously.

Commissioner Heinrich commented on getting a report on the golf course at Riverside. Mr. Franz stated they are ready for the Commission in August. The grass is green and ready to go.

Chair Arnold called on Prairie Meadows Racetrack and Casino, d/b/a Prairie Meadows Racetrack & Casino. Gary Palmer, General Manager, presented the following contracts for Commission approval:

- GL Dodge City – vehicles for promotional giveaways
- Lithia Mercedes Benz of Des Moines – vehicles for promotional giveaways
- Professional Solutions – processing fees for credit cards

Hearing no comments or questions, Chair Arnold requested a motion. Commissioner Lamberti moved to approve the contracts as submitted by Prairie Meadows Racetrack & Casino. Commissioner Kramer seconded the motion, which carried unanimously.

As there was no public comment, Chair Arnold moved to Administrative Business and called on Mr. Ohorilko. Mr. Ohorilko called for approval of the regulatory fees for fiscal year 2018. These fees were based off of the legislative appropriation. The first payment would be on July 6th and would be for five weeks plus current, so it would be a payment for six weeks. The fees become effective June 26th. Because of the payment up front those fees would stop being collected on May 24th with any reversion potentially ending the payments earlier. Mr. Ohorilko stated that the DCI fees were also sent out. Mr. Ohorilko requested approval of the regulatory fees for fiscal year 2018.

Hearing no questions or comments, Chair Arnold requested a motion to approve. Commissioner Mertz moved to approve the regulatory fees for fiscal year 2018. Commissioner Kramer seconded the motion, which carried unanimously.

Mr. Ohorilko then updated the Commissioners on any legislation that could impact the Racing and Gaming industry from the most recent Legislative session that was passed. He provided a brief summary of House File 568, Senate File 442, and House File 462.

Hearing no further business to come before the Commission, Chair Arnold requested a motion to adjourn. Commissioner Lamberti so moved. Commissioner Kramer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

CHERYL L. VETSCH